

## Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01  
INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02  
SS-15 USIA-06 CU-04 AID-05 COME-00 EB-08 FRB-03  
TRSE-00 XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 /102 W  
-----079466 032051Z /64

R 030259Z SEP 77  
FM AMCONSUL HONG KONG  
TO SECSTATE WASHDC 6572  
INFO AMEMBASSY BANGKOK  
AMEMBASSY CANBERRA  
AMEMBASSY JAKARTA  
AMEMBASSY KUALA LUMPUR  
AMEMBASSY MANILA  
AMEMBASSY MOSCOW  
AMEMBASSY PARIS  
AMEMBASSY RANGOON  
AMEMBASSY ROME  
AMEMBASSY SINGAPORE  
AMEMBASSY TOKYO  
USLO PEKING  
COMUSTDC  
CNCPCAC

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CINC FOR POLAD

E.O. 11652: N/A  
TAGS: ECON, TGEN, CH  
SUBJECT: PRC BI-WEEKLY ECONOMIC HIGHLIGHTSNO. 11

1. PEKING STRESSES PROFITS AND ACCUMULATION FOR THE STATE

IN THE CAMPAIGN TO ACHIEVE "INITIAL SUCCESS THIS  
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YEAR" IN ECONOMIC DEVELOPMENT, PEKING HAS SET CLEAR-CUT  
GOALS FOR ENTERPRISES--IMPROVE QUALITY, LOWER CONSUMPTION,  
AND INCREASE ACCUMULATION. THE MEDIA PLAY HAS GAINED  
MOMENTUM DURING THE PAST WEEK WITH TWO MAJOR ARTICLES ON  
THE IMPORTANCE OF ACCUMLATING FUNDS FOR THE STATE  
(PEOPLE'S DAILY, AUGUST UV RED FLAG, AUGUST 30).  
QUOTING ENGELS AND MAO, THE WRITERS REMOVE ANY REVISIONIST

CAST FROM THE NOTION THAT SOCIALIST ENTERPRISES SHOULD MAKE PROFITS, EXPLAINING THAT WITHOUT ACCUMULATION, FUNDS FOR EXPANDING PRODUCTION AND ACHIEVING THE FOUR MODERNIZATIONS WILL NOT BE FORTHCOMING. LABELING THE PROFIT ISSUE A BASIC POLITICAL LINE WHICH MUST BE CORRECTLY UNDERSTOOD, THE ARTICLES SPELL OUT THE FUNDAMENTAL DIFFERENCE BETWEEN SOCIALIST ACCUMULATION, A MANIFESTATION OF WORKERS CONSCIOUS EFFORTS TO PROVIDE CAPITAL FOR BUILDING SOCIALISM, AND THE REVISIONIST

"

UTTING PROFIT IN COMMAND," CHARACTERIZED AS A CAPITALIST METHOD FOR "EXPLOITING WORKERS SURPLUS VALUE."

INDIRECTLY, THE "GANG OF FOUR'S" LINE, "MAKING PROFIT IS CRIMINAL," IS BLAMED FOR ENTERPRISES RUNNING AT A LOSS.

REGARDING DISPOSAL OF PROFITS, FUNDS ACCUMULATED BY ENTERPRISES ARE TO BE PAID IN FULL TO THE STATE TREASURY WHEN DUE, AND A STRICT ACCOUNTING OF COSTS MUST BE KEPT TO PREVENT EMBEZZLEMENT OR LOCAL APPROPRIATION. IN A TERM COMMENT ON ECONOMIC DISCIPLINE, ENTERPRISES ARE WARNED THAT EXCUSES FOR RETAINING FUNDS OR MATERIAL WILL NOT BE TOLERATED. STRENGTHENING THEIR CASE FOR THE LEGITIMACY OF THE PROFIT CONCEPT, THE AUTHORS PICTURE TACHING, NOT UNEXPECTEDLY, AS AN EXEMPLARY PROFITABLE ENTERPRISE. ALTHOUGH LIMITED OFFICIAL USE

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CAUTIONING THAT NO ENTERPRISE RUN AT A LOSS CAN BE SELECTED AS A TACHING-TYPE ENTERPRISE, THOSE WHICH ARE "ALLOWED TO RUN AT A LOSS UNDER STATE POLICY" ARE NOTABLY EXEMPTED. PRESUMABLY THESE INCLUDE THE LARGE-SCALE HEAVY INDUSTRIAL UNITS.

## 2. INDUSTRIAL OUTPUT INCREASED IN JULY

CHINA'S GROSS INDUSTRIAL OUTPUT DURING JULY, 1977, INCREASED 22.4 PERCENT OVER JULY, 1976, AND SURPASSED ALL PREVIOUS RECORDS FOR THE MONTH. GROSS INDUSTRIAL OUTPUT IN 28 OF CHINA'S 29 PROVINCES, MUNICIPALITIES AND AUTONOMOUS REGIONS REPORTEDLY SET NEW PRODUCTION RECORDS. THE JULY INCREASE FOLLOWS RECORD INDUSTRIAL OUTPUT DURING MAY AND JUNE. THE 22.4 PERCENT GAIN IS SUBSTANTIAL, BUT MUST BE VIEWED AGAINST THE FACT THAT JULY, 1976 OUTPUT WAS UNUSUALLY LOW. CROSS

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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC REPORTS  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
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**Disposition Reason:**  
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**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009